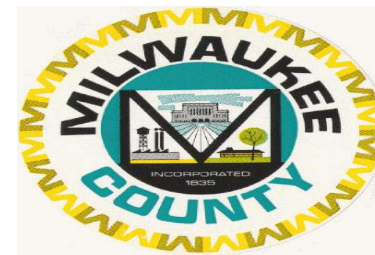


PROPOSED MILWAUKEE COUNTY HEALTH INSURANCE BENEFIT CHANGES

Milwaukee County Board of Supervisors
Committee of the Whole
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presentation by Department of Audit

Current Plan

- Preferred Provider Organization (Conventional)
 - Self-insured PPO administered by Humana
 - Wide selection of providers
 - 2003 costs approximately \$49.4 million, currently 10,566 members
- Humana Health Maintenance Organization
 - Fully insured HMO
 - Restricted to Humana network of providers
 - 2003 cost \$26 million, currently 8,432 members
- Aurora Direct Exclusive Provider Organization
 - Self-funded EPO, benefits /deductibles similar HMO
 - Restricted to Aurora network
 - 2003 costs approximately \$5.7 million, currently 1,197 members

Proposed Plan

- Continue PPO
 - Significantly expand co-pays and co-insurance
 - Increase premiums significantly
- Continue HMO
 - Expand and increase co-payments
 - Moderately increase Family premiums, decrease Single
- Aurora Direct EPO (if offered)
 - Expand and increase co-payments
 - Moderately increase Family premiums, decrease Single
- Implement New Consumer Driven Plan (Coverage First)

Proposed Plan – Coverage First

- Enhanced employee financial stake with significantly expanded out-of-pocket costs
- Uses same network as Humana PPO
- \$500 benefit allowance per person with higher annual deductibles beyond allowance
- Lower monthly premiums than existing plans

Monthly Premiums

	Current	Proposed
Conventional (PPO)		
• Single	\$80	\$130
• Family	\$100	\$260
HMO / EPO		
• Single	\$80	\$65
• Family	\$100	\$130
Coverage First		
• Single	NA	\$25
• Family	NA	\$50

Current Plan Features

- Out-of-pocket expenses
 - Conventional (PPO)
 - Annual deductibles: \$150 Single (in network)
\$450 Family (in network)
 - Annual limits: \$1,500 Single
\$2,500 Family
 - HMO / EPO
 - Annual deductibles: \$0
 - Limits: Not applicable

Proposed Plan Features

- Out-of-pocket expenses
 - Conventional (PPO)
 - Co-payments increased for prescriptions and added for office visits (\$30 primary / \$40 specialist excludes wellness and prevention)
 - Co-insurance applies to nearly all procedures
 - Co-payments excluded from out-of-pocket limits
 - HMO / EPO
 - Co-payments added for office visits (\$25 primary / \$35 specialist), in-patient hospitalization (\$200), emergency room (\$50 if not admitted),
 - Co-payments increased for prescription drugs

Proposed Plan Features

- Out-of-pocket expenses (continued)
 - Coverage First
 - \$500 allowance, does not apply to co-pays including prescriptions
 - Annual deductible of \$1,000 Single and \$3,000 Family in network (\$3,000 / \$9,000 out of network), excludes co-pays
 - Most services covered 100% after allowance and deductible and some co-pays, some services covered 80% including lab
 - Out-of-pocket limits excluding deductibles and co-pays \$2,000 Single and \$6,000 Family (in network), (\$6,000 / \$18,000 out of network)

Projected 2005 County Savings

- Status Quo
 - Total Cost \$118,686,000*
 - County Portion \$112,823,000
 - Employee Premium \$5,862,000
- Plan Design Changes Only
 - Total Cost \$99,967,000
 - County Portion \$90,524,000
 - Employee Premium \$9,443,000
- Design Changes and Coverage First
 - Total Cost \$102,879,000
 - County Portion \$96,109,000
 - Employee Premium \$6,771,000

*9/7/04 revised=\$115,869,000 (\$110,262,000 County / \$5,607,000 Employee)

Total Employee Impacts

- Total number employees with health care
 - 4,631
 - Represented 3,915
 - Non-Represented 716
- Total employee salaries
 - \$10,000 to \$49,999 3,522 employees
 - \$50,000 to \$89,999 1,002 employees
 - \$90,000 and higher 102 employees

Non-Rep Impacts

- Proposed plan is initially for “non-rep” employees
- Non-reps salaries
 - \$10,000 to \$49,999 323 employees
 - \$50,000 to \$89,999 327 employees
 - \$90,000 and higher 66 employees

Impact on Employee A

Low-Use Single Coverage

Salary \$45,598 (Represented)

- 2003 Out-of-Pocket Expenditures
(including premiums) \$1,167
- 2005 Expenditures (including premiums)
 - PPO with changes \$1,948
 - HMO/EPO with changes \$1,025
 - Coverage First \$459

Impact on Employee B

Low-Use Family Coverage

Salary \$57,165 (Non-Rep)

- 2003 Out-of-Pocket Expenditures
(including premiums) \$1,387
- 2005 Expenditures (including premiums)
 - PPO with changes \$3,421
 - HMO/EPO with changes \$1,760
 - Coverage First \$740

Impact on Employee C

Mid-Use Single Coverage

Salary \$30,113 (Represented)

- 2003 Out-of-Pocket Expenditures
(including premiums) \$1,319
- 2005 Expenditures (including premiums)
 - PPO with changes \$2,839
 - HMO/EPO with changes \$1,388
 - Coverage First \$2,303

Impact on Employee D

Mid-Use Family Coverage

Salary \$34,109 (Represented)

- 2003 Out-of-Pocket Expenditures
(including premiums) \$2,124
- 2005 Expenditures (including premiums)
 - PPO with changes \$5,784
 - HMO/EPO with changes \$2,185
 - Coverage First \$2,840

Impact on Employee E

High-Use Single Coverage

Salary \$52,196 (Represented)

- 2003 Out-of-Pocket Expenditures
(including premiums) \$2,688
- 2005 Expenditures (including premiums)
 - PPO with changes \$6,181
 - HMO/EPO with changes \$3,179
 - Coverage First \$9,515

Impact on Employee F High-Use Family Coverage Salary \$91,666 (Non-Rep)

- 2003 Out-of-Pocket Expenditures
(including premiums) \$3,916
- 2005 Expenditures (including premiums)
 - PPO with changes \$8,660
 - HMO/EPO with changes \$4,219
 - Coverage First \$14,940

Conclusions on Proposed Plan

- Positive Features
 - Significant savings
 - Enhanced employee financial stake in care choices
 - Appropriate focus on increases to family plans, some retirees (via co-pays and deductibles) and those with more expensive coverage
- Concerns
 - Does not address provider discounts
 - Limited focus on employee education
 - Unintended consequences of steerage to HMO / EPO
 - Magnitude of potential impact on employee costs

Other Cost Reduction Strategies

- Provider Pricing- Discounts with hospitals and physicians
- Behavior changes
 - Volume of service used
 - Price of service used
- Long-term partnerships with other governments, both state and local, and with businesses

Other Cost Reduction Strategies

- Intensive Management
 - Discounts
 - Utilization
 - Contract management
 - Wellness and disease management
 - Employee education on provider pricing and quality

Other Cost Reduction Strategies

- Health Reimbursement Arrangement
- Health Savings Account
- Plan parity for post-65 retirees
- Potential for Humana Gold

Other Matters for Consideration

- Health insurance in context of other wage and benefits decisions
- Implementation timetable